

AGENDA

UTILITIES SERVICE BOARD MEETING

Indiana University Research Park
501 North Morton – Room 210
Bloomington, IN 47404

Tom Swafford, President
Tim Henke, Vice President
Richard Eherenman
Jeff Ehman
Rachel Tolen
Samuel Vaught
John Whikehart
Tim Mayer, ex-officio
Tom Micuda, ex-officio

NOTE: Members of the Utilities Service Board, City of Bloomington Common Council, Monroe County Commissioners, and Monroe County Council have been invited to attend this meeting, and a quorum of each group may be present.

October 13, 2005 – 11:00 A.M.

ENGINEERING AND FINANCE SUBCOMMITTEES

- I. CALL TO ORDER
- II. REVIEW OF TERMS OF RUSSEL ROAD WATER CORPORATION PROMISORY NOTE AND POSSIBLE PAY OFF – Steve Saulter
- III. RECOMMENDATION OF AN ARCHITECTURAL FIRM TO DESIGN AND BUILD THE NEW ADMINISTRATIVE BUILDING
- IV. PETITIONS AND COMMUNICATIONS *
- V. ADJOURNMENT

* Brief public comment will be limited to 5 minutes per person.

MEMORANDUM

TO: The Utility Service Board
FROM: Steve Saulter, Assistant Director of Finance
RE: Russell Road Debt Retirement
DATE: October 7th, 2005

The CBU staff is requesting authorization to retire the long term Water debt associated with the Russell Road Utility Acquisition. This retirement would require two payments totaling \$75,790 and save the Utility \$8,778 over the next four years. The CBU financial staff believes this action to be both prudent and affordable. To better understand the request, this memo will discuss the utility's current debt requirements, the cost savings generated by this action, and the availability of funds.

Current Debt Requirements

CBU currently spends roughly \$2.5 million of its \$9.5 million annual Water revenues on debt service. This expense represents approximately 26% of CBU's total Water Budget. CBU's financial staff considers this to be the Utility's biggest challenge for the future. Although the current level of debt is sustainable, extensive capital needs will increase CBU's annual debt service in the near future. Continuing efforts in 2004 and 2005 to control spending have presented CBU with an opportunity to retire debt and produce cost savings.

Cost Savings

The current Russell Road agreement requires monthly payments totaling \$21,142 per year for the next four years. This gives a total obligation equal to \$84,568 over the next four years. The current buyout for this debt is \$75,790. Therefore, retiring this debt would produce a cost savings of \$8,778 spread evenly over the next four years.

Availability of Funds

CBU maintains a Cash Sinking Fund separate from the Operating Fund to service its debt. Resources are transferred from the Operating Fund to the Sinking Fund on a monthly basis. As of September 30th, the Sinking Fund had a balance of \$677,145 with \$735,633 left to be transferred from the Operating Fund. This gives a total balance in the Water Sinking Fund of \$1,412,778 at the end of 2005. CBU's total remaining debt obligations for 2005 are \$1,220,085. This gives a remaining balance in the Water Sinking Fund of \$192,693 at the end of 2005 and provides ample resources to retire the Russell Road debt. If this request is approved, CBU's Water Cash Sinking Fund will be reduced by \$75,790 and have a remaining balance of \$116,903. Please refer to Attachment One and Two for detailed information about these calculations.

Conclusion

The CBU financial staff considers this action to be both prudent and affordable. It will help CBU to manage its debt and prepare for future capital needs. The early retirement will save CBU \$8,778 over the next four years and leave \$116,903 in its Water Cash Sinking Fund after all 2005 debt obligations have been fulfilled. The CBU staff thanks you for the opportunity to present and hopes you will support this effort to make the utility more financially sound and prepared for its future needs. If you have any questions about this issue, please contact Steve Saulter at 349-3635.

City of Bloomington Utilities

Russell Road Debt Retirement

Attachment One

Water Sinking Fund Cash Balance

Remaining Budget to be Transferred For Debt as of 8/31/2005 (See Attachment Two)	\$ 936,138
September Transfer to Water Sinking	<u>(200,505)</u>
Remaining Budget Yet to Be Transferred as of 9/30/2005	735,633
Cash Balance in Water Sinking Fund as of 9/30/2005	<u>677,145</u>
Total Cash Available to Pay Remaining 2005 Debt Obligations	<u><u>\$ 1,412,778</u></u>

Remaining 2005 Water Debt Obligations

2000 Energy Saving Contract	\$ (17,085)
2003 Refunding Bonds	(621,434)
2000 SRF Loan	(158,209)
2003 SRF Loan (Series A)	(147,254)
2003 SRF Loan (Series B)	<u>(276,103)</u>
Total Remaining 2005 Water Debt Debt Obligations	<u><u>\$ (1,220,085)</u></u>

Water Sinking Fund Remaining Balance as of 12/31/2005

Remaining Available Funds ***	192,693
Russell Road Buyout	<u>(75,790)</u>
Remaining Funds after Proposed Actions	<u><u>\$ 116,903</u></u>

*** This balance in excess of current obligations is the result of transfers made in anticipation of 2003 SRF Loan (Series B) Debt Requirements being higher than the actual required amount. This is due to draw down requests on this loan not being made in a timely fashion.

City of Bloomington Utilities
Russell Road Debt Retirement
Attachment Two

TOTAL BUDGET ANALYSIS August-05	WATER OPERATING FUND	WASTEWATER OPERATING FUND	STORMWATER OPERATING FUND	COMBINED TOTAL
BEGINNING CASH AND EQUIVALENTS				
TOTAL - CASH:	951,533	2,245,544	899,205	4,096,282
RECEIPTS				
Collections	754,601	823,801	97,608	1,676,010
Other Revenue	4,308	9,373	1,615	15,296
NSF Checks	(714)	(1,071)		(1,785)
Customer Refund Checks		(8,190)		(8,190)
TOTAL - RECEIPTS:	758,196	823,913	99,223	1,681,332
EXPENDITURES				
2005 Expenditures	631,576	549,215	34,050	1,214,842
Purchased Inventory	72,098			72,098
Sales Tax / Utility Receipt Tax	31,426			31,426
Russell Road Acquisition Agreement	1,762			1,762
Bank Fees	534	801		1,334
TOTAL - EXPENDITURES:	737,396	550,016	34,050	1,321,462
TOTAL - NET GAIN (LOSS):	20,800	273,897	65,173	359,870
TOTAL - ENDING CASH AND EQUIVALENTS:	972,333	2,519,441	964,378	4,456,152

TOTAL INCOME ANALYSIS	2005 Budget	Income Thru July	Remaining Budget	August Income	Year-to-Date Income	Remaining Budget	Percentage Remaining
1 REVENUE							
Water	9,440,644	5,208,568	4,232,076	754,601	5,963,169	3,477,475	36.84%
Wastewater	12,733,690	7,368,219	5,365,471	823,801	8,192,020	4,541,670	35.67%
Stormwater	1,417,416	725,406	692,010	97,608	823,014	594,402	41.94%
TOTAL - CATEGORY 1:	23,591,750	13,302,193	10,289,557	1,676,010	14,978,203	8,613,547	36.51%
TOTAL - ALL INCOME CATEGORIES:	23,591,750	13,302,193	10,289,557	1,676,010	14,978,203	8,613,547	36.51%

TOTAL EXPENSE ANALYSIS	2005 Budget	Expenditures Thru July	Remaining Budget	August Expenditures	Year-to-Date Expenditures	Remaining Budget	Percentage Remaining
2 OPERATION & MAINTENANCE							
Water	5,250,600	2,962,097	2,288,503	429,875	3,391,972	1,858,628	35.40%
Wastewater	8,585,698	4,461,034	4,124,664	463,699	4,924,734	3,660,964	42.64%
Stormwater	372,976	337,447	35,529	34,050	371,498	1,478	0.40%
TOTAL - CATEGORY 2:	14,209,274	7,760,579	6,448,695	927,625	8,688,204	5,521,070	38.86%
3 EXTENSIONS & REPLACEMENTS (See Notes)							
Water	1,738,200	301,592	1,436,608	1,196	302,788	1,435,412	82.58%
Wastewater	1,401,002	355,657	1,045,345	85,516	441,172	959,830	68.51%
Stormwater	482,100	66,176	415,924	-	66,176	415,924	86.27%
TOTAL - CATEGORY 3:	3,621,302	723,425	2,897,877	86,712	810,137	2,811,165	77.63%
4 DEBT REQUIREMENTS							
Water	2,393,738	1,257,095	1,136,643	200,505	1,457,600	*936,138*	39.11%
Wastewater	2,724,249	1,524,210	1,200,039	-	1,524,210	1,200,039	44.05%
Stormwater	246,902	123,456	123,446	-	123,456	123,446	50.00%
TOTAL - CATEGORY 4:	5,364,889	2,904,761	2,460,128	200,505	3,105,266	2,259,623	42.12%
TOTAL - ALL EXPENSE CATEGORIES:	23,195,465	11,388,765	11,806,700	1,214,842	12,603,606	10,591,859	45.66%

Notes about the August Update

Income Categories

Remaining Budget figures should be interpreted as...
the amount to be collected by the end of the year to reach the budgeted amount
Remaining Percentage figures should be interpreted as...
the portion of the budgeted amount left to be collected to reach the budgeted amount
Percentages less than 33.33 are favorable for this time period

Expense Categories

Remaining Budget figures should be interpreted as...
the amount of the budget which has yet to be spent
Remaining Percentage figures should be interpreted as...
the portion of the budget amount which has yet to be spent
Percentages greater than 33.33 are favorable for this time period